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UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
REGION 5  
77 WEST JACKSON BOULEVARD  
CHICAGO, IL 60604-3590

DEC 23 1998

C-14J

OVERNIGHT DELIVERY

REPLY TO THE ATTENTION OF

Joseph G. Nassif  
Thompson Coburn  
One Mercantile Center  
St. Louis, MO 63101-1693

Re: U.S. EPA Cost Demand for Site G, Area 1, Sauget Superfund Site

Dear Mr. Nassif:

I am in receipt of your letter dated November 17, 1998, to Ms. Karen Torrent of the Department of Justice in which you raise six issues based on Monsanto's review of the cost documentation U.S. EPA has provided in this matter. This letter provides a response to each issue raised in your letter.

**(1) Time sheets and vouchers refer to various account names.**

Work has and is being done on the Sauget Area Sites under different account names. In general, during the time frames involved herein, Site G was the only site at which U.S. EPA was conducting removal activities in Area 1. Other work was done in Sauget Area 2, and that work was properly designated under a Site 2 account. Additionally, in the course of the Region's review of the itemized cost summary, it was confirmed from each person involved that costs charged to each of these accounts involved actions taken Site G. Concerning Riedel, Sam Borries, the On-Scene Coordinator (OSC) for the site, confirms that each of the account names referenced in your letter applies to Site G.

**(2) Costs incurred after 1995 need further explanation.**

The vast majority of the costs claimed herein were incurred up to and including the date the site removal action was completed in 1995. However, as is usually the case, the OSC billed additional hours after demobilization at the site because contractor bills continued to be received, reviewed and processed subsequently to the date the removal was completed. Additionally, costs

associated with reviewing information and sampling results gathered at the site and from subsequent enforcement-related activities were also incurred. It is important to point out that not all costs associated with the preparation of the civil action in this matter have been included in our proposed cost figure. These costs, which include costs incurred by the Department of Justice, will be pursued in full if this matter is not concluded with the entry of an acceptable consent decree.

- (3) EPA paid Riedel Environmental a 4.5% markup on costs as "indirect costs." What is the basis for the markup and why is the markup recoverable as a response cost.

EPA is authorized under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), Section 107, to seek reimbursement from liable parties of all costs incurred, including cleanup, enforcement and administrative costs, etc., which are not inconsistent with the National Contingency Plan. It is the position of the Agency and supported by the clear weight of federal court case law that these costs include categories of direct costs, indirect costs, and interest.

It is standard business practice in the private sector to recover indirect costs. All corporations incur costs that are billed to their customers through an indirect rate. Indirect costs include general costs that are shared by all work products produced. Overhead costs, rent, utilities, secretarial services, and some salaries, etc. are types of indirect costs. These costs are added to every contract-specific dollar charged to the customer: either private or government. When billing U.S. EPA for costs incurred under the contract, both direct site costs and indirect charges are included in the invoice.

U.S. EPA paid Riedel Environmental Services, Inc. a 4.5% markup on costs as an indirect cost pursuant to in the contract/award effective on September 29, 1992. U.S. EPA did not determine this rate. The basis for the indirect rate is specific to the Riedel Contract as the contractor's estimate of its indirect or overhead costs (See enclosed Award/Contract 68-S2-5001, Section G.8.).

U.S. EPA's payment of Riedel's costs under this contract, including its indirect costs, is considered to be a direct cost of the Agency. For additional explanation concerning the determination of appropriate costs, see 57 Fed. Reg. 34742, Aug. 6, 1992.

**(5) Support is needed for the IEPA costs claimed**

The IEPA costs were incurred for Site G pursuant to the enclosed "EPA assistance agreement." Again, the costs were reviewed and confirmed to be applicable to Site G by IEPA staff, in this case Mr. Paul Takacs.

**(6) Certain costs from a unrelated site were included in the cost summary**

Mr. Borries' payroll distribution timesheet bills the dates 5/23/95 through 5/26/95 to the Lanson Chemical Site. On 5/27/95, Mr. Borries spent the day at the nearby Sauget Area 1 and 2 Sites and this is accurately reflected and apportioned on his timesheet. Thus, the travel voucher in question does relate to the Sauget Sites. Nonetheless, U.S. EPA agrees for the purposes of settlement that the referenced travel costs may be subtracted from the cost summary for Site G. The figure to be subtracted is \$312.92, the cost of 5/23/94-5/27/94 trip to Collinsville, IL.

For the record, U.S. EPA disagrees with the factual background and legal conclusions included in Monsanto's response to the Demand Letter and reserves its right to respond at a later date.

Please contact me directly if you have any questions about the matter presented in this letter.

Sincerely,



Thomas J. Martin  
Associate Regional Counsel

Enclosures

cc: Karen Torrent (w/encl) (DOJ)  
William Coonan (w/o encl) (AUSA)  
Paul Takacs (w/o encl) (IEPA)

bcc: Leslie Kirby (w/o encl)  
Mike McAteer (w/o encl)